



Transportation Debt Affordability 2017



North Carolina Department of State Treasurer
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Debt Affordability Advisory Committee

The Committee is legislatively directed to:

- Annually advise the Governor and the General Assembly of the estimated debt capacity of the General Fund for the upcoming ten years
- Annually advise the Governor and the General Assembly of the estimated debt capacity of the Highway and Highway Trust Fund (“Transportation” funds) for the upcoming ten years
- Recommend other debt management policies it considers desirable and consistent with the sound management of the State’s debt



Study makes no recommendations regarding the use of available debt capacity.

Study is due February 1.



Debt Affordability Advisory Committee

Membership

- Dale R. Folwell, CPA, State Treasurer, Chair
- Charles Perusse, State Budget Officer
- Ronald Penny, Acting Secretary of Revenue
- Beth Wood, State Auditor
- Linda Combs, State Controller

Senate Appointees

- Frank Aikmus
- Bradford Briner

House Appointees

- Gene Chianelli
- Tom Turner



Review: What is Debt Affordability?

The amount of debt that may be prudently authorized and issued in a given period *without* negatively affecting the credit position or impairing the budget flexibility of the issuer.

- The amount of debt that is affordable (“capacity”) is finite
- Capacity can be measured and compared
- Issuance beyond a prescribed level can erode credit ratings
- The State measures its available capacity using tax-supported debt: self-supporting debt is excluded



Transportation Debt

GARVEES

- Supported solely by federal \$ (NO State back up)
- 5 issues \$1,120 million provided funding for 56 projects
- Total program capacity +/- \$1 billion
- Fed reauthorization key

GAP Funding

- Budget authorization for up to \$49 million per year to “pay debt service or related financing costs” for 2 NCTA projects, TriEx and Monroe Connector
- NCTA maximizes the amount of debt issued supported by these funds

“Availability Payments”

- Represents contractor provided financing similar to installment purchase contracts. This also includes commitments under P3 agreements.
Counts as debt for capacity calculations.



Outstanding Transportation Debt by Type at 6/30/16

Tax-Supported Debt*	(millions)
Highway Fund Supported GO Bonds	\$198.4
“GAP Funding” Supported NCTA Revenue Bonds	\$741.3
“Availability Payments” & DRAM (total of payment amounts)	<u>\$75.0</u>
Total Transportation Tax-Supported Debt	\$1,014.7
Non Tax-Supported Debt	(millions)
GARVEEs (Grant Anticipation Revenue Vehicle Bonds)	\$675.3
Toll Supported NCTA Revenue Bonds(includes TIFIA)	<u>\$621.6</u>
Total Transportation Non Tax-Supported Debt	\$1,296.9
Total Transportation Debt	<u>\$2,311.6</u>

* Tax-supported debt includes debt supported by state (not federal) highway revenues, for example motor fuels tax and vehicle registration fees.



Transportation Debt Affordability

- Highway and Highway Trust Fund capacity combined
- All State-level transportation revenues used (DOT projection)
- Federal revenues, toll revenues (and any related toll-supported debt) and GARVEES are excluded
- “GAP Funding” for NCTA projects (\$49 million/year), availability payments and commitments under a DRAM are included
- Guideline adopted: amounts used for transportation-related debt support should not exceed 6% of the State’s transportation revenues



Transportation Model Highlights

10-Year Model Horizon

All State –level Transportation Revenues included

Repayment of existing debt and NCTA bond support incorporated
(GARVEE debt service excluded)

Assumes future debt issued at 6.15% for 25 year
term(conservative)

Guideline adopted based on analysis of peers (mostly
southeastern) developed in consultation with DOT.



General Fund Model Results

General Fund - New Policy

**Alternate Debt Capacity using 4.5% debt service/revenues target ratio
(In millions of dollars)**

Fiscal Year	2017	2018	2019	2020	2021
\$ to Unfunded Liabilities	\$153.3	\$140.4	\$139.0	\$158.2	\$206.1
Total Additional Debt Capacity per Year *	\$1,268.3	\$56.3	\$39.7	\$40.9	\$42.2
Debt Capacity Available each and every Year	\$181.0	\$181.0	\$181.0	\$181.0	\$181.0

* In addition to that already authorized but unissued. Assumes additional debt capacity is authorized and issued in stated fiscal year.



Transportation Model Results

Transportation

Net Tax-Supported Debt Capacity using 6.0% debt service/revenues target ratio
(In millions of dollars)

Fiscal Year	2017	2018	2019	2020	2021
Total Additional Debt Capacity per Year *	\$1,363.6	\$6.8	\$0.0	\$884.0	\$0.0
Debt Capacity Available Each and Every Year	\$270.3	\$270.3	\$270.3	\$270.3	\$270.3

* In addition to that already authorized but unissued. Assumes additional debt capacity is authorized and issued in stated fiscal year.
GAP Funding for North Carolina Turnpike Authority projects assumed to total \$49 million annually.



Combined GF and Transportation Results

General Fund and Transportation Funds Combined Debt Service / Revenue Percentages

Fiscal Year	2017	2018	2019	2020	2021
General Fund	3.29%	3.37%	3.40%	3.34%	3.16%
Transportation *	3.12%	2.96%	2.95%	3.06%	1.32%
Combined	3.27%	3.31%	3.34%	3.30%	2.91%

Note: Percentages are based on forecasted revenues and debt service.

* GAP Funding for North Carolina Turnpike Authority projects assumed to total \$49 million annually.

